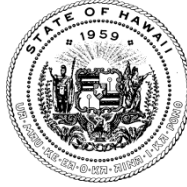


HB270 HD1 SD1

Measure Title:	RELATING TO REBUILT VEHICLES.
Report Title:	Rebuilt Vehicle; Flood Damage; Electronics
Description:	Defines "flood damage" as it relates to a rebuilt vehicle. Expands the definition of "rebuilt vehicle" to include vehicles that have been rebuilt after sustaining flood damage or material damage to the vehicle's electronics. Effective 7/1/3000. (SD1)
Companion:	<u>SB822</u>
Package:	None
Current Referral:	TRS, CPH
Introducer(s):	TAKUMI, ICHIYAMA



TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

Deputy Directors
LYNN A.S. ARAKI-REGAN
DEREK J. CHOW
ROSS M. HIGASHI
EDWIN H. SNIFFEN

**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION**
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

March 28, 2019
9:30 A.M.
State Capitol, Room 229

**H.B. 270, H.D. 1, S.D. 1
RELATING TO REBUILT VEHICLES**

Senate Committee on Commerce, Consumer Protection and Health

The Department of Transportation (DOT) **supports** this bill with the amendments noted below.

DOT agrees that vehicles with flood damage to the electronic system and computerized components such that the vehicle was considered a total loss should be branded so that buyers are warned about the situation prior to making a purchase.

It is recommended that the new definition for "Flood damage" be amended to include potential areas of the vehicle where damage may occur such as moldy carpet/ padding and corrosion of the undercarriage, as follows:

["]"Flood damage" means damage caused to any electrical, computerized, or mechanical component, or interior [~~carpeting~~] of a vehicle that has been submerged in water to the point that [~~rising~~]water has [~~reached over the doorsill and has~~]entered the passenger compartment or engine."

Thank you for the opportunity to provide testimony.

SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

March 28, 2019

HB 270 HD1 SD1 Relating to Rebuilt Vehicles

Chair Baker, Vice-Chair Chang, Members of the Senate Committee on Commerce, Consumer Protection, and Health, I am Rick Tsujimura representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm supports House Bill 270 HD1 SD1 as written. We believe that this amendment to the definition of “total loss” in the definitions in Chapter 286-2 is necessary for the purposes of identifying vehicles which suffered flood damage to electronics. We believe that this is an important step in addressing the issue.

We would request that a “clean date” of July 1, 2019 be placed in the bill. We have provided an attached proposed SD2.

Thank you for the opportunity to provide testimony on this measure.

A BILL FOR AN ACT

RELATING TO REBUILT VEHICLES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that existing laws inhibit insurers' ability to push a rebuilt or salvage title when a total loss is retained by the insured for a flooded vehicle. Current cars have a significant amount of electronic devices installed throughout the vehicle and are highly vulnerable to flood damage, particularly if salt water is involved. Such vehicles should have a branded title to warn potential subsequent purchasers.

Accordingly, the purpose of this Act is to expand the definition of "rebuilt vehicle" to include motor vehicles that have been rebuilt after flood damage and material damage to the vehicle's electronics and define "flood damage".

SECTION 2. Section 286-2, Hawaii Revised Statutes, is amended as follows:

1. By adding a new definition to be appropriately inserted and to read:

"Flood damage" means damage caused to any electrical, computerized, or mechanical component of a vehicle that has been submerged in water to the point that rising water has reached over the doorsill and has entered the passenger compartment."

2. By amending the definition of "rebuilt vehicle" to read:

"Rebuilt vehicle" means any vehicle which has been declared a total loss by an insurer and has been rebuilt or repaired to operate on public highways. For the purpose of this definition, a vehicle is a total loss only if there is material damage, including flood damage, to the vehicle's electronics, frame, unitized structure, or suspension system, and the projected cost of repairing the damage exceeds the market value of the vehicle at the time of the incident causing it to be declared a total loss."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, ~~[3000]~~2019.

Natori Law Office LLC

A LIMITED LIABILITY LAW COMPANY



ATTORNEYS

NATHAN T. NATORI
Direct (808) 275-0155

1003 BISHOP STREET #1360
HONOLULU, HAWAII 96813

EMAIL: nathan@natorilaw.com
www.attorneyinhawaii.com

March 26, 2019

Senator Rosalyn H. Baker, Chair
Senate Committee on Commerce, Consumer Protection, and Health
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: H.B. 270 HD1 SD1 (Relating to Rebuilt Vehicles)

Dear Chair Baker and Members of the Committee:

My name is Nathan T. Natori and I represent Insurance Auto Auctions ("IAA"), a licensed motor vehicle dealer which handles the sale of damaged and theft-recovered vehicles for the insurance industry. We are writing in *support* to H.B. 270 HD1 SD1 Relating to Rebuilt Vehicles *if a conforming amendment is also included* in H.B. 270.

Hawaii Revised Statutes ("HRS") Section 481J-3(c)(5) uses the definition of "total loss" from HRS Section 286-2 which the bill is amending. Therefore, a conforming amendment should also be made to HRS Section 481J-3(c)(5):

(5) Vehicles which are inoperable and a total loss. For the purpose of this paragraph, a vehicle is a "total loss" only if there is material damage, including flood damage, to the vehicle's electronics, frame, unitized structure, or suspension system, and the projected cost of repairing the damage exceeds the market value of the vehicle at the time of the incident causing it to be declared a total loss.

IAA *opposes any amendments proposed by the Hawaii Automobile Dealers Association* ("HADA") which would prevent any vehicle declared a total loss due to flood damage to ever be titled or registered again even after being inspected by a state-licensed Salvage Repair Dealer. HADA's language is now reflected in the companion bill S.B. 822, S.D. 1, H.D.1.

Under current law a flood damaged vehicle will be issued a Salvage Certificate. IAA will sell the damaged vehicle at auction. If the repairs are made back to the original manufacturer's specification and recertified by a state-licensed Salvage Repair Dealer, after safety inspection and re-registration the County will note that it was formerly a Salvage vehicle. All purchasers will know that it was a formerly Salvage vehicle.

March 26, 2019

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ATTORNEYS

Thus, HADA's amendments are not consumer protection as they go beyond notice to potential purchasers - - - it will eliminate any reason for such repairs as the vehicle cannot be re-registered. This "killing the title" of all total loss flood vehicles is wasteful, unnecessary and out-of-step with salvage laws nationwide. HADA's amendment creates a confusing system in which a rebuilt vehicle due to flood damage to electronics cannot be re-titled, but all other rebuilt vehicles can be re-titled.

Please feel free to contact me should you have any comments or questions regarding the above.

Very truly yours,

Natori Law Office LLLC

A handwritten signature in black ink, appearing to read 'Nathan T. Natori', is written over the typed name.

Nathan T. Natori